Third Sustainability Bond Allocation and Impact Report (BNCE 2.72)

2024

CONTENT

Bancomext in a nutshell.. 4
Sustainability at Bancomext.. 5
Issuance Summary.. 8
Allocation report 9
Impact report 11
Success case study.. 13
Contact Information 14
Exhibit 1. Detailed report of portfolio investments....................................... 15

INDEX OF FIGURES

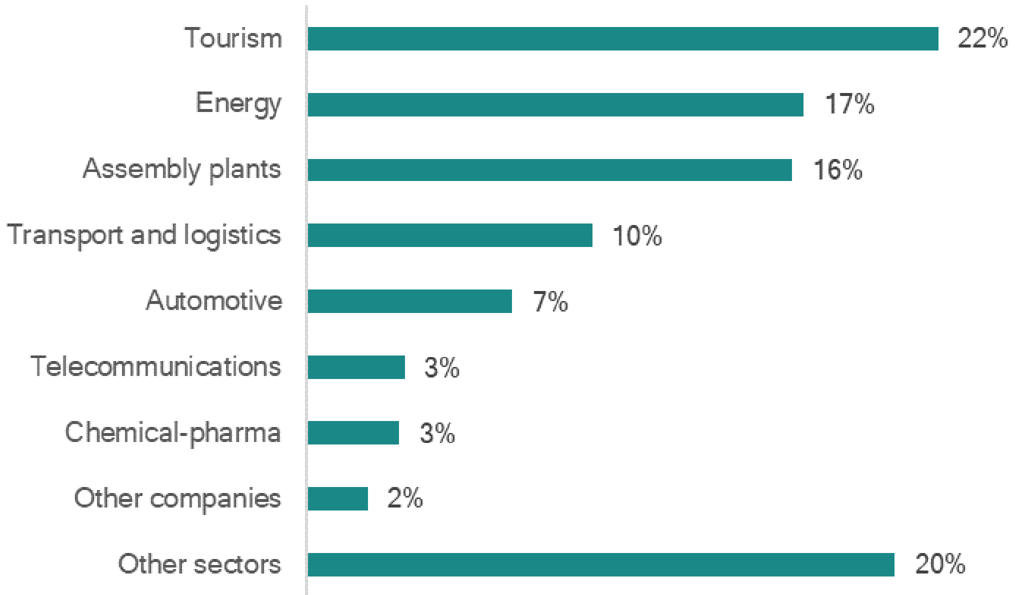
Figure 1. Direct lending portfolio, by economic activity, 2022 4
Figure 2. SARAS environmental and social risk categories 5
Figure 3. Bancomext's Sustainability Bond Framework eligibility criteria 6
Figure 4. Issuance summary 8
Figure 5. Issuance use of proceeds, by grand category 9
Figure 6. Issuance use of proceeds, by green and social categories 10
Figure 7. Detailed core indicators 11

Bancomext in a nutshell

Banco Nacional de Comercio Exterior, S.N.C. (also known as Bancomext) is a development banking institution with the mandate to contribute with the development and generation of employment in Mexico by promoting business growth through financial services to foreign currency-generating companies in the country. Founded in 1937, it operates by originating loans and issuing loan guarantees, directly or through commercial banks and non-banking financial intermediaries, to increase the productivity and competitiveness of Mexican exporting companies.

In 2022, Bancomext's total loan portfolio reached 252,034 MXN million[1] and it supported 4,263 companies, of which 88.1% were small and medium-sized. Our lending portfolio is diversified, with exposure to the Tourism Sector, Energy and Manufacturing (through Assembly plants), which together represent more than 55% of our current loan book.

Figure 1. Direct lending portfolio, by economic activity, 2022



Source: Bancomext.

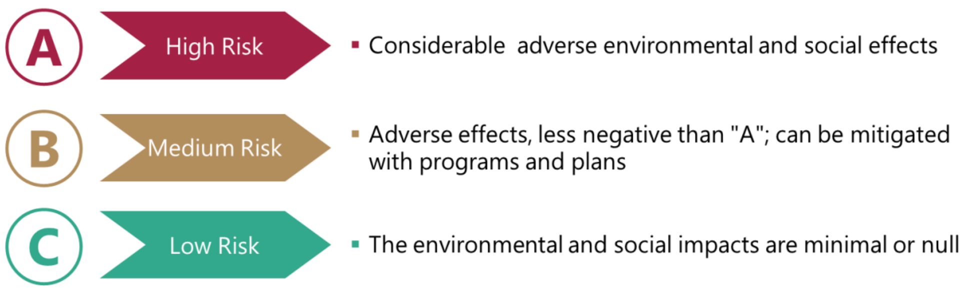
[1] Of which, only 2.4% was categorized as non-performing portfolio.
* This report version was updated on October 10, 2024.

Sustainability at Bancomext

As a development banking institution, Bancomext has assumed a proactive commitment to incorporate environmental and social sustainability principles in alignment with the national agenda. In particular, the Bank has made the commitment to have a larger and meaningful impact on society by prioritizing the financing of projects with high environmental and social responsibility standards and values[2].

Since 2017, the Bank established an internal Environmental and Social Risk Management System (ESRMS), referred hereafter as SARAS (Sistema de Gestión de Riesgos Ambientales y Sociales) with the purpose of identifying, overseeing, and administering potential negative environmental and social impacts in our financed operations. This process is formally part of Bancomext's credit approval procedures[3] and allows the Bank to determine the social and environmental risk category of every potential loan, in alignment with the Equator Principles, the International Financial Corporation's performance standards, and current national environmental and social regulation.

Figure 2. SARAS environmental and social risk categories



Source: Bancomext's Sustainability Bond Framework.

In July 2021, Bancomext issued its Sustainability Bond Framework to set forth the following guidelines of these instruments: 1) eligibility criteria and categories for social and green bond projects, as well as an exclusion criteria, 2) the process of project evaluation and selection carried out by the Environmental and Social Management Unit (Unidad de Gestión Ambiental y Social or "UGAS"), 3)

[2] Bancomext Sustainability Bond Framework.
[3] The SARAS methodology was developed under the Equator Principles. The methodology is applied to direct loans offered by Bancomext.

management of proceeds, and 4) transparency and reporting standards[4]. The Framework is harmonized with a series of industry best practice standards such as ICMA's Sustainability Bond Guidelines[5], the Green Bond Principles, the Social Bond Principles, and the United Nations 2030 Sustainable Development Goals (SDG's).

The issuance of Sustainable bonds contributes with our ESG objectives, particularly in the mobilization resources to fund Mexico's transition into a low carbon economy and a more equitable society.

Figure 3. Bancomext's Sustainability Bond Framework eligibility criteria

Bond project eligible category	Type of project	SDG Alignment
Access to essential services	Social	3 GOOD HEALTH AND WELL-BEING; 4 QUALITY EDUCATION
Employment generation	Social	8 DECENT WORK AND ECONOMIC GROWTH
Socio-economic advancement and empowerment	Social	8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Renewable energy	Green	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION
Energy efficiency	Green	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION
Sustainable water and wastewater management	Green	6 CLEAN WATER AND SANITATION

[4] Bancomext's Sustainability Bond Framework presents a non-exhaustive list of KPIs applicable and aligned with the Harmonized Framework for Impact Reporting and the Harmonized Framework for Impact Reporting for Social Bonds, documents issued and continuously updated by ICMA.
[5] Issued by the International Capital Markets Association (ICMA).

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Bond project eligible category	Type of project	SDG Alignment
Clean transportation	Green	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION
Green buildings	Green	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES
Environmentally sustainable management of living natural resources and land use	Green	15 LIFE ON LAND
Pollution prevention and control	Green	7 AFFORDABLE AND CLEAN ENERGY; 11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION

Source: Bancomext.

Issuance Summary

Bancomext is committed to keep investors updated regarding the use of proceeds of its bond issuances until the funds are fully allocated to eligible projects. Through this report, we disclose the following information concerning BNCE 2.72 bond: 1) the amounts allocated to projects presented in aggregation based on portfolio categories as well as the amount of unallocated proceeds, and 2) the qualitative and quantitative environmental and social impact of the investment projects included in the allocation report. The details of the issuance are presented in Figure 4.

Figure 4. Issuance summary

Issuer	*Banco Nacional de Comercio Exterior*
Issuer rating	Fitch BB Moody´s Baa3
Issued amount (USD)	$500,000,000
Date of issuance	August 11th ,2021
Maturity date	August 11th ,2031
Tenor	10 NC5
ISIN	US05973JAA88

Source: Bancomext.

Allocation report

In accordance with Bancomext's Sustainability Bond Framework, an amount equal to the net proceeds of the issuance will be allocated to existing or future investments that meet the established requirements of "Eligibility Criteria". Eligible projects include loans, investments, and expenditures made by Bancomext or any of its subsidiaries since the issuance date of the Sustainability Bond, or in the 36 months prior to any such issuance (in any of the categories defined in the Framework).

As of 2024, 100.8%[6] of the proceeds of BNCE 2.72 are allocated to eligible loans, projects, or expenses. Of these, 35.2% are allotted to environmental projects and 64.8% to social projects. Specifically, the Employment Generation category concentrates the vast majority of the issuance proceeds, followed by Pollution Prevention and Control[7].

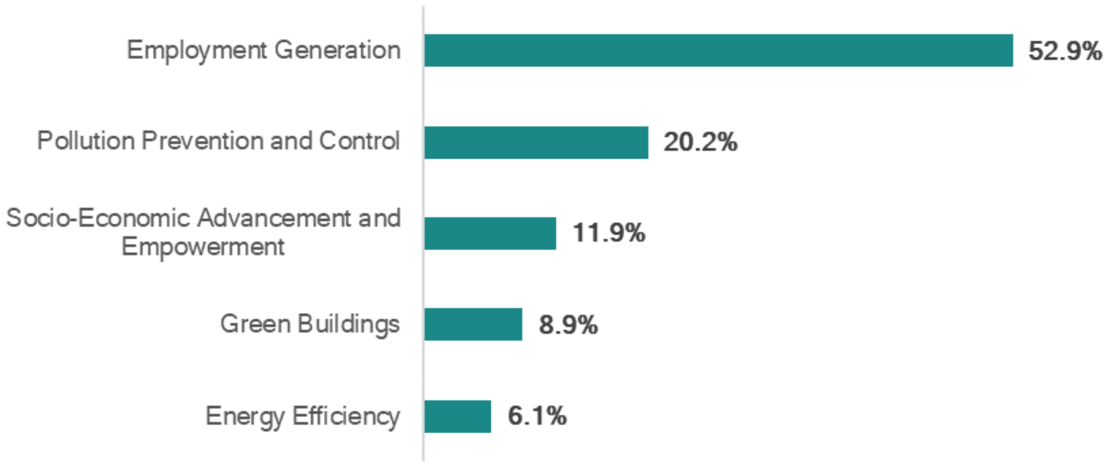
Figure 5. Issuance use of proceeds, by grand category

<table>
<tr><th colspan="2">Total amount of proceeds allocated to eligible projects or expenses (USD)</th><th>Total amount of unallocated proceeds</th></tr>
<tr><td colspan="2">$504,246,735.08
(100.8%)</td><td>$ 0.00
(0%)</td></tr>
<tr><th>Social category</th><th>Environmental category</th><td></td></tr>
<tr><td>$326,822,735.08
(64.8%)</td><td>$177,424,000.00
(35.2%)</td><td></td></tr>
</table>

Source: Bancomext.

[6] For those loans originally granted in MXN, an average exchange rate of 20.5 MXN per one USD was used to homogenize the credited funds to USD.
[7] Bancomext matches the issuance maturity weighted average with the allocated projects lifetime weighed average. In this case, the weighted maturity of the bonds is 10 years, while the weighted credit term of the portfolio is 12.4 years.

Figure 6. Issuance use of proceeds, by green and social categories



Source: Bancomext.

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Impact report

The purpose of this section is to provide quantitative and qualitative performance indicators regarding the social and environmental impact associated with the use of proceeds of the issuance. Bancomext's Sustainability Bond Framework provides a non-extensive list of KPI´s aligned with the Harmonized Framework for Impact Reporting and the Harmonized Framework for Impact Reporting for Social Bonds, documents issued and continuously updated by ICMA.

Figure 7. Detailed core indicators

Use of proceeds category	UN SDG	Amount of eligible projects/expenses (USD million)	Impact reporting indicator	
Employment Generation	8 DECENT WORK AND ECONOMIC GROWTH	$266.8	Number of jobs maintained and/or generated[8][9]	15,357
			USD million in COVID-19 crisis alleviation financing	$14.0
Pollution Prevention and Control	7 AFFORDABLE AND CLEAN ENERGY; 11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION	$101.6	Tons of annual recycled, reduced, or reused waste	280
Socio-Economic Advancement and Empowerment	8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	$60.0	USD million in loans to lower income regions / underserved populations	$60.0
Green Buildings	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES	$45.0	Number of LEED-certified enterprises	2

[8] For jobs maintained, the borrowers inform on a regular basis, and initially at the time of the loan application, the number of active employees. The number indicated in allocation reports corresponds to the initial number of jobs recounted by the borrower. For jobs created, these are reported on an estimated basis by the borrowers when the project is presented as part of the loan application. These are usually related to construction phases.
[9] Considering our development bank orientation and the role played in promoting loans by private financial institutions, all employments maintained and generated by our clients are fully allocated in our reports. This is based on a deadweight assumption, taking into consideration that no loans had occurred by private institutions had Bancomext not participated.

Use of proceeds category	UN SDG	Amount of eligible projects/expenses (USD million)	Impact reporting indicator	
Energy Efficiency	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION	$30.8	Square feet (Sq. ft.) with LED lights	21,199,339

Source: Bancomext.

Success case study

Financing granted to Priority Areas

Financing was granted to companies located within "Priority Attention Zones", which are localities, municipalities, areas, or regions, both rural and urban; whose population register high rates of poverty, marginalization, or vulnerability. The "Priority Attention Zones" were identified based on the *General Criteria for the Determination of Priority Attention Zones* issued by the National Council for the Evaluation of Social Development Policy (CONEVAL, by its acronym in Spanish), and published in the Government's Official Gazette. The zones are determined based on the following considerations:

- Social gap index, measuring multidimensional poverty, including indicators for education, access to health services, basic household services, quality and spaces of dwelling and home assets.
- Percentage of the population in Extreme Poverty.
- Crime Level.
- Degree of Marginalization.

Bancomext has granted loans to companies located in these zones, including San Francisco de los Romo (Aguascalientes), Xochitepec (Morelos), Zempoala (Hidalgo), Cuautlancingo (Puebla), Coyotepec (State of Mexico), among others.

Contact Information

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Exhibit 1. Detailed report of portfolio investments[10][11]

Project internal ID	Social / Environmental	Eligible project category	Allocated amount (USD million)	Project lifetime (years)	Core indicator #1	Core indicator #2	Other indicators
Emi208	Environmental	Pollution Prevention and Control	$ 101.6	16	280 tons of annual recycled, reduced, or reused waste		
Emi35	Social	Employment Generation	$ 85.0	15	2,418 jobs maintained and/or generated		
Emi116	Social	Socio-Economic Advancement and Empowerment	$ 60.0	12	60 USD million in loans to lower income regions /underserved populations		
Emi202	Social	Employment Generation	$ 48.9	10	10,000 jobs maintained and/or generated		
Emi201	Social	Employment Generation	$ 42.8	18	70 jobs maintained and/or generated		
Emi206	Social	Employment Generation	$ 42.0	10	1,808 jobs maintained and/or generated		
Emi199	Environmental	Energy Efficiency	$ 30.8	5	21,199,339 Square feet (Sq. ft.) with use of efficient energy		
Emi198	Environmental	Green Buildings	$ 25.0	7	1 LEED-certified enterprise		
Emi197	Environmental	Green Buildings	$ 20.0	7	1 LEED-certified enterprise		
Emi200	Social	Employment Generation	$ 16.0	10	650 jobs maintained and/or generated		
Emi26	Social	Employment Generation	$ 14.0	12	14 USD million in COVID-19 crisis alleviation financing		
Emi207	Social	Employment Generation	$ 12.0	5	253 jobs maintained and/or generated		
Emi205	Social	Employment Generation	$ 5.2	15	105 jobs maintained and/or generated		
Emi204	Social	Employment Generation	$ 0.9	10	53 jobs maintained and/or generated		

[10] Aligned with ICMA's Green and Social Impact Reporting Templates.
[11] This table includes projects allocated in previous reports and newly allocated ones. Bancomext updates the projects' effective lifetime, and ensures that the portfolio weighted average matches the issuance lifetime throughout the bonds' maturity.